

BUSINESS LICENSES AND PERMITS

IN GENERAL

The startup, operation or expansion of a business in Minnesota may involve securing one or more business, occupational or environmental licenses or permits. Those licenses and permits fall into a number of categorical groupings according to purpose:

- Licenses and permits to ensure the competency of practitioners of a business, trade or profession.
- Licenses and permits to ensure the safety and efficacy of a product or process.
- Licenses and permits to prevent fraud or ensure the financial solvency of parties to a business transaction.
- Licenses and permits to control access to markets or to encourage or restrict competition in a specific industry.
- Licenses and permits to regulate activities in pursuit of broad social goals like clean air, clean water.
- Licenses and permits to ensure the appropriate and responsible use of natural resources, particularly non-renewable natural resources.
- Licenses and permits to control the development and implementation of new technology.
- Licenses and permits to authorize a business to serve as the state's agent for collection of revenue.

The Bureau of Business Licenses provides information about federal, state and local licenses and assistance in securing them. The Bureau also publishes, free of charge, the State of Minnesota Directory of Licenses and Permits which contains a complete list of regulated activities, licenses and permits, and the appropriate state agency contact. It is reprinted at the end of the Small Business Assistance Office publication, *A Guide To Starting A Business In Minnesota*.

A list of licenses and permits with more extensive information on requirements, schedules, fees and the like appears on the License Minnesota website at <http://mn.gov/elicense/>.

From the License Minnesota website, a business can access licensing information on over 600 licenses administered by state agencies in Minnesota. This includes information on permits, registrations, certifications, credentialing and other forms of approval granted by state agencies and boards as a condition of doing business: conducting a trade, profession or occupation, or pursuing a recreational activity in Minnesota. This includes equipment and vehicles and the right to operate them. This site is easy to use and conveniently lets you access licensing information by activity, administering agency, name of license, or with a keyword search.

Note that Minn. Stat. § 645.44, subd. 19 makes explicit that monies paid to a government entity for a business or individual to engage in trade, profession, or business or to improve private property are a tax not a fee.

LOCAL LICENSURE

In addition to the licensing requirements imposed by the state, some local governments also require certain kinds of business activity to be licensed on the local level. In some cases this local licensure may take the form of a general business license involving no more than registration and payment of a fee. In other cases it may involve compliance with local ordinances specific to a particular type of business. For example, current state law imposes no license requirements on commercial building contractors. Many municipalities, however, require registration and bonding of these contractors before the municipalities will issue necessary building permits or conduct necessary inspections.

Larger cities like Minneapolis and St. Paul have licensing departments. Smaller municipalities usually rely on the city clerk to direct licensing activities. A call to either of these early in your business planning will help avoid confusion and delay later. In addition, the city clerk can in most cases give you information on local zoning requirements. Municipal offices are usually listed in the blue pages of the telephone book under the name of the municipality.

LOCAL ZONING

Zoning is the process by which a local community enacts ordinances to regulate and control the uses of privately owned land and structures within the community. In practice this process involves the creation of districts or zones within the community and restriction on the use of land, and the use, height and area of buildings within these districts. Zoning serves to promote and conserve the health, safety, convenience and general welfare of the community.

The local zoning board or planning commission should be contacted early in your business planning to determine the regulations regarding any space in which you plan to operate your business. This is true especially if you plan to operate your business out of your home.

The zoning ordinances of each local community detail the procedure for establishment of zones and the procedures for petition for variances.

Note that the Legislature enacted modifications to certain statutes that, speaking generally, prohibit counties and municipalities from using “amortization” to eliminate or terminate a particular use of land. In this context, the term “amortization” occurs when a local government asserts that a once-lawful use of land is no longer allowed, so that the unit of government can take or condemn that land under the theory that it has no value.

BONDING

A bond is a contract, similar to an insurance policy, between a bonding company (called a “surety”) and the business that purchases the bond. The bond runs in favor of a third person to protect that person against financial loss caused by the act or default of the business. Surety bonds guarantee the performance of various types of obligations assumed by contract or imposed by law. Fidelity bonds guarantee against loss (e.g. theft of money or property) due to the dishonesty of employees.

Performance Bonds

Performance bonds provide financial guarantees that contracts and other business deals will be completed according to mutual terms. When a principal breaks a bond's terms, the harmed party can make a claim on the bond to recover losses.

Each performance bond that's issued operates among the "obligee", the "principal", and the "surety".

- The obligee (the entity for whom the work is being performed) requires the principal (the entity performing the work) to purchase a bond to avoid potential financial loss to the obligee.
- The principal purchases the bond to guarantee the performance and quality of work to be done.
- The surety issues the bond and financially guarantees the principal's capacity to perform a specific task.

Before contacting a surety provider, professionals should check all federal, state and local regulations regarding performance bonds in their respective industries. Regulations regarding a specific performance bond in California will vary from those that apply to a performance bond in Minnesota.

Businesses that contract to provide goods or services to the state or other public agencies within the state generally have performance bonds. These bonding requirements are established by statute. Note that some public and private contracts can require the "fidelity bonding" of individual employees of the principal to protect against loss caused by employee dishonesty.

Bonds are obtained through insurance agents or through a bonding company. The cost of a bond is a portion of the face amount of the bond and will depend in part on the risk to the bonding company in covering the potential loss.

See the information regarding the Minnesota Federal Bonding Service in the Sources of Information, State Programs section of the *Guide*.